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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

**COMMUNICATION OF AUDITOR/TOWNSHIP RESPONSIBILITY
WITH ATTACHED MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**

Board of Trustees
Napoleon Township
Napoleon, Michigan

We have audited the financial statements of Napoleon Township as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 10, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

As part of our audit, we considered the internal control of Napoleon Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Other Information in Documents Containing Audited Financial Statements

In accordance with Governmental Accounting Standards Board Statement No. 34, the Township's Annual Financial Report includes a section called Management's Discussion and Analysis. This section, on pages 3-8, is prepared by Township personnel. Our tests of the information contained in this section of the annual financial report were limited to reading the information and making inquiries of management regarding methods of measurement and presentation of this information.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Napoleon Township are described in Note 1 to the financial statements.

As described in Note 15 to the financial statements, the Township implemented several new GASB Statements and Interpretations during the year ended June 30, 2004. These new Statements require the Township to present government-wide financial statements along with the more traditional fund financial statements presented in the past.

We noted no transactions entered into by Napoleon Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the valuation of capital assets.

We evaluated the estimated value of each of the assets to determine that the assumptions used in management's estimates are reasonable.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Napoleon Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We did record several audit adjustments including some (such as recording depreciation in the Sewer and Water funds, and expense accrual postings) that could, in our judgment, either individually or in the aggregate, have a significant effect on the Napoleon Township's reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

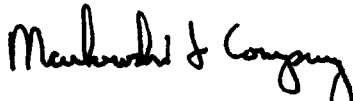
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Napoleon Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The staff at the Township was extremely helpful and cooperative during our audit. We encountered no difficulties in completing our audit. We did note instances which we believe warrant Board attention. These are discussed in the attached memorandum of comments and recommendations.

This information is intended solely for the use of the Township Board and management of Napoleon Township and should not be used for any other purpose.

Very truly yours,



MARKOWSKI & COMPANY CPAs

December 17, 2004

NAPOLEON TOWNSHIP

MEMORANDUM OF COMMENTS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

Recent audits of the Township have resulted in several negative comments regarding the accounting procedures and internal controls. We are very happy to report that the Township staff has continued to do an excellent job with the Township's accounting.

FOLLOW UP ON 2003 COMMENTS AND RECOMMENDATIONS:

Finding 03-1: Sewer #2 Accounting Procedures:

Last year, we pointed out that the Township was not complying with its contractual obligation to authorize the creation of a Common Fund along with Grass Lake Township to account for the activity of this sewer district.

We are pleased to report that the Township is in the processing of establishing the Common Fund, to be administered by Grass Lake Township.

2004 COMMENTS AND RECOMMENDATIONS

Finding 04-1: Lack of Segregation of Duties:

A concern typical in all small municipalities is the reliance on a small group of individuals for the performance of conflicting duties. These include the utility billing procedures, which are performed by an individual responsible for collections and adjustments. As another example, the payables are processed by an individual involved in the bank account reconciliation process.

In light of the recent fraud problems uncovered in local governments and nonprofit organizations, it is important that the Township continue to work towards minimizing its risks.

The Township should consider requiring supervisory review and approval of all proposed billing adjustments in the utility billing system. This step is intended to minimize the risk that payments may be diverted and the customer's account adjusted with a credit to cover this fact. Also, the receivable balance in the Utility Billing system should be reconciled to the balance in the Township's general ledger (the 040.000 Receivable account).

Consideration should also be given to revolving the bank account reconciliations, or require supervisory review of the reconciliations on a monthly basis. Unusual items, such as large deposits in transit, should be carefully reviewed to ensure that cash is properly reported.

We would encourage the Township to continue its efforts to cross-train employees to segregate duties to the greatest extent possible.

Finding 04-2: Current Tax Disbursement Procedures:

During our audit, we noted that there appears to be an overpayment to the schools of nearly \$8,000 from 2003 tax collections. There were also some smaller instances in which taxing units were underpaid. Because the Current Tax Fund disburses all collections, the Township has in effect covered this overpayment.

We would recommend that the Treasurer review the general ledger accounts on a regular basis, as our audit revealed that collections were properly posted to separate accounts within the general ledger. This allows the general ledger to be used as a valuable tool in the balancing process for the current tax collections. It should be noted that the general ledger accounts reflect the overpayment to the schools; had the balancing process included a review of the general ledger, this error could have been discovered in a much more timely manner.

Finding 04-3: Special Assessments

During our audit, we discovered that the payments recorded in the special assessment system for the Sewer connection assessment had not been reconciled with the amounts charged on tax bills and the additional payments received throughout the year. There were three parcels which were erroneously credited with payments (out of approximately 500 total parcels). One individual making monthly payments towards the assessment was not given credit for all payments made.

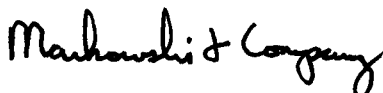
We recommend that the amounts credited in the special assessment system be reconciled to the tax roll, and the number of parcels also be reconciled. Secondly, the general ledger receivable balance for Sewer Districts #1 and #2 (account #045.000) should be reconciled to receivable balances in the special assessment system.

Conclusion:

Napoleon Township is to be commended for its attention to the accounting process. The Supervisor has done an excellent job with the budget process. As a result, Napoleon has not suffered through reductions in services or other cutbacks to balance its budget. The Township is in excellent financial condition, and board members should take some pride in that fact.

It has been a pleasure serving the Township during this past year. If anyone has questions regarding the items discussed in our memorandum, or if we can be of assistance with the implementation of any suggested changes, please feel free to contact us.

Sincerely,



MARKOWSKI & COMPANY CPAs
December 17, 2004